

2010 MICHIGAN Business Tax Investment Tax Credit Recapture From Sale of Assets Acquired Under Single Business Tax

Issued under authority of Public Act 36 of 2007.

Taxpayer Name (If Unitary Business Group, Name of Designated Member)	Federal Employer Identification Number (FEIN) or TR Number
Unitary Business Groups Only: Name of Unitary Business Group Member Reporting on This Form	Federal Employer Identification Number (FEIN) or TR Number

PART 1: CALCULATION OF SINGLE BUSINESS TAX (SBT) INVESTMENT TAX CREDIT (ITC) RECAPTURE BASES

Each row in lines 1-3 is for assets acquired in one SBT tax year and disposed of this year. Enter years in date order. Columns B and C are totals by acquisition year. Line 1, column D, and Line 2, column E: For all years, enter MBT apportionment percentage from Form 4567, line 11c. Enter amounts in whole dollars (no cents).

Depreciable Tangible Assets

1. A Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	B Combined Sales Price of Disposed Assets by Year of Acquisition	C Net Gain/Loss From Sale of Assets	D Apportionment Percentage <i>From Form 4567, line 11c</i>	E Apportioned Gain/Loss <i>Multiply Column C by Column D</i>	F SBT ITC Recapture (Base 1) <i>Subtract Column E From Column B</i>

Depreciable Mobile Tangible Assets

2. A Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	B Combined Sales Price of Disposed Assets by Year of Acquisition	C Net Gain/Loss From Sale of Assets	D Adjusted Proceeds <i>Subtract Column C From Column B</i>	E Apportionment Percentage <i>From Form 4567, line 11c</i>	F SBT ITC Recapture (Base 2) <i>Multiply Column D by Column E</i>

Assets Transferred Outside Michigan

3. A Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	B SBT ITC Recapture Combined Adjusted Federal Basis of Disposed Assets by Year of Acquisition (Base 3)

FEIN or TR Number

UBG Member FEIN or TR Number

PART 2: CALCULATION OF SBT ITC RECAPTURE RATES

Enter amounts from ALL prior SBT C-8000ITC forms filed for tax years beginning on or after January 1, 2000. Enter SBT tax years in date order. Enter amounts in whole dollars only (no cents).

4. A Return For Taxable Year Ending (MM-DD-YYYY)	B Net Capital Investment (C-8000ITC, Line 24)	C SBT ITC (C-8000ITC, Line 33)	D SBT ITC Used (C-8000ITC, Line 36)	E Effective Percentage Rate of SBT ITC by Year
				%
				%
				%
				%
				%
				%
				%
				%
				%

Enter amounts from Form 4569, line 3, for all periods ending in 2008 or 2009.

5. A Return For Taxable Year Ending (MM-DD-YYYY)	B SBT ITC Carryforward Used (Form 4569, line 3)

PART 3: CALCULATION OF SBT ITC RECAPTURE AMOUNTS

Enter amounts in whole dollars only (no cents).

6. A Taxable Year (End Date) In Which Disposed Assets Were Acquired (MM-DD-YYYY)	B Total SBT ITC Recapture Base by Year of Acquisition <i>Add Amounts from Columns 1F, 2F and 3B</i>	C Year-Specified Recapture Percentage Rate from Line 4, Column E	D Recapture Amount <i>Multiply Column B by Column C</i>
		%	
		%	
		%	
		%	
		%	
		%	
		%	
		%	
		%	

7. TOTAL. Enter total of Line 6, column D. Carry total to Form 4570, line 19

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Instructions for Form 4585

Michigan Business Tax (MBT) Investment Tax Credit Recapture From Sale of Assets Acquired Under Single Business Tax

Purpose

To calculate the Investment Tax Credit (ITC) recapture amount for the disposition or transfer of tangible, depreciable real or personal property acquired in tax years beginning after 1999 and prior to 2008 which must be recaptured to the extent used and at the rate used under the Single Business Tax (SBT) or MBT. Form 4585 must be filed as a supporting schedule for the total recapture amount reported on the *MBT Credits for Compensation, Investment and Research and Development* (Form 4570).

Special Instructions for Unitary Business Groups

For the tax period covered on the Unitary Business Group (UBG) combined *MBT Annual Return* (Form 4567), the following types of UBG members are required to file Form 4585:

- Members who disposed of SBT ITC assets during the member's tax year included in the UBG combined Form 4567;
- Members who need to report during the tax period covered on the UBG combined Form 4567 gains attributable to previous tax period installment sale of SBT ITC assets; OR
- Members who had an SBT ITC carryforward available to be used against the UBG's liability in tax year 2008 and/or 2009.

EXAMPLE: UBG A consists of six members and files a combined Form 4567 for the tax period ending in July 2010 (tax year 2010).

- Members 1 and 2 disposed of SBT ITC assets during the tax year ending in July 2010.
- Members 3 and 4 did not sell any SBT ITC assets, but had available SBT ITC carryforward to be used against the UBG's liability for the tax years ending in July 2008 and July 2009.
- Member 5 also did not dispose of any SBT ITC assets during the UBG's tax year ending in July 2010, and had no SBT ITC carryforward available to be used in tax year ending in July 2008 or July 2009.
- Member 6 sold an SBT ITC asset in the tax period ending in July 2009 on an installment basis, where gain attributable to the installment sale is to be reported in tax period ending in July 2010.

In the example above, for tax year 2010, Members 1, 2, and 6 must each file Form 4585, completing Parts 1, 2, and 3. Members 3 and 4 must each file Form 4585, completing only Part 2, while Member 5 must not file a Form 4585.

Note that failure of one or more required members identified above to file Form 4585 will lead to incorrect calculation of the UBG's total SBT ITC recapture. Each member with SBT ITC assets dispositions or reporting gain from installment sales must complete Form 4585, Parts 1, 2, and 3, while the remaining required members must complete only Part 2 of Form 4585.

The total recapture of each member's Form 4585 forms, line 7, must be combined and reported on the UBG's Form 4570, line

19. Each Form 4585 must be filed as a supporting schedule for the total recapture amount reported on Form 4570.

Line-by-Line Instructions

Lines not listed are explained on the form.

Dates must be entered in MM-DD-YYYY format.

Name and Account Number: Enter name and account number as reported on page 1 of Form 4567.

UBGs: Complete one form for each member for whom this schedule applies as instructed in the section above. Enter the Designated Member (DM) name in the Taxpayer Name field and the specific member of the UBG for which this form is filed on the line below.

PART 1: CALCULATION OF SBT ITC RECAPTURE BASES

In Part 1, compute the adjusted proceeds (proceeds include any benefit derived) from the disposition of tangible, depreciable real or personal property that was acquired in a tax year beginning after 1999 and prior to 2008, and the recapture for property moved out of state. The calculation of gross proceeds may be reduced by selling expenses. Lines 1, 2, and 3 represent three different categories of SBT ITC assets, categorized by type of asset or nature of disposition.

NOTE: A sale of qualifying property reported on the installment method for federal income tax purposes causes a recapture of the entire gross proceeds in the year of the sale. The recapture is reduced by any gain reported in federal taxable income (as defined for MBT purposes) in the year of the sale. The gain attributable to the installment sale that is reported in subsequent years increases the credit base (or reduces other sources of recapture) for those years, and must be reported either on line 1, column C, or line 2, column C, based on the type of asset.

Line 1: For depreciable tangible assets located in Michigan that were acquired or moved into Michigan after acquisition in a tax year beginning after 1999 and prior to 2008, and were sold or otherwise disposed of during the tax year, enter the following:

- **Column A:** Separate the depreciable tangible assets that were disposed of during the filing period by the tax year in which they were acquired. Use a separate row for each acquisition year. Enter the tax years of acquisition (end dates only) in chronological order, starting with the first tax year beginning after 1999. An acquisition year for which there were no dispositions of depreciable tangible assets during the filing period may be omitted. However, do not omit the acquisition year of depreciable tangible assets that have been sold on an installment method if gains attributable to installment payments received during the current filing period must be reported.

- **Column B:** Total gross proceeds from all depreciable tangible assets that were acquired in the same taxable year and disposed of during the filing period. If a qualifying asset was sold on an installment sale in a prior filing period, the entire

sale price was reported for recapture purposes in the year of sale. Therefore, if a payment was received on that installment sale in the current filing period, do not report that amount as gross proceeds for this period. See Column C, however, with respect to the gain from that installment payment.

- **Column C:** Net total gains/losses reflected in federal taxable income (as defined for MBT purposes) from all depreciable tangible assets that were acquired in the same taxable year and disposed of during the filing period. Report also in column C any gain reflected in federal taxable income (as defined for MBT purposes) that is attributed to an installment payment received during the current MBT filing period. For property placed in service prior to January 1, 2008, gain reflected in federal taxable income (as defined for MBT purposes) is equal to the gain reported for federal purposes.

Keep in your files a separate worksheet with the appropriate information regarding each depreciable tangible asset located in Michigan that was acquired or moved into Michigan after acquisition in a tax year beginning after 1999 and prior to 2008, and was sold or otherwise disposed of during the tax year. Sum the total gross proceeds and gain or loss for all disposed assets acquired in the same taxable year. Enter in this form only the total sum of gross proceeds and gain/loss grouped by taxable year the assets were acquired. Use one row per group of disposed assets acquired in the same taxable year. Start from the earliest acquisition year.

- **Column D:** Enter the apportionment percentage from Form 4567, line 11c. If not apportioning, enter 100 percent. Enter the same apportionment percentage for each row completed.

- **Column F:** Subtract column E from column B for each row. If column E is a loss, add its positive value to column B for each appropriate row. A loss in column E will increase the recapture base.

Line 2: *Mobile tangible assets* are all of the following:

- Motor vehicles that have a gross vehicle weight rating of 10,000 pounds or more and are used to transport property or persons for compensation;
- Rolling stock (railroad freight or passenger cars, locomotives or other railcars), aircraft, and watercraft used by the owner to transport property or persons for compensation or used by the owner to transport the owner's property for sale, rental, or further processing;
- Equipment used directly in completion of, or in construction contracts for, the construction, alteration, repair, or improvement of property.

For depreciable mobile tangible assets that were acquired in a tax year beginning after 1999 and prior to 2008, and were sold or otherwise disposed of during the tax year, enter the following:

- **Column A:** Separate the depreciable mobile tangible assets that were disposed of during the filing period by the tax year in which they were acquired. Use a separate row for each acquisition year. Enter the tax years of acquisition (end dates only) in chronological order, starting with the first tax year beginning after 1999. An acquisition year for which there were

no dispositions of depreciable mobile tangible assets during the filing period may be omitted. However, do not omit the acquisition year of depreciable mobile tangible assets that have been sold on an installment method if gains attributable to installment payments received during the current filing period must be reported.

- **Column B:** Total gross proceeds from all depreciable mobile tangible assets that were acquired in the same taxable year and disposed of during the filing period. If a qualifying asset was sold on an installment sale in a prior filing period, the entire sale price was reported for recapture purposes in the year of sale. Therefore, if a payment was received on that installment sale in the current filing period, do not report that amount as gross proceeds for this period. See Column C, however, with respect to the gain from that installment payment.

- **Column C:** Net total gains/losses reflected in federal taxable income (as defined for MBT purposes) from all depreciable mobile tangible assets that were acquired in the same taxable year and disposed of during the filing period. Report also in column C any gain reflected in federal taxable income (as defined for MBT purposes) that is attributed to an installment payment received during the current MBT filing period. For property placed in service prior to January 1, 2008, gain reflected in federal taxable income (as defined for MBT purposes) is equal to the gain reported for federal purposes.

Keep in your files a separate worksheet with the appropriate information regarding each depreciable mobile tangible asset acquired in a tax year beginning after 1999 and prior to 2008, and sold or otherwise disposed of during the tax year. Sum the total gross proceeds and gain or loss for all disposed assets acquired in the same taxable year. Enter in this form only the total sum of gross proceeds and gain or loss grouped by taxable year the assets were acquired. Use one row per group of disposed assets acquired in the same taxable year. Start from the earliest acquisition year.

- **Column D:** Subtract figures in column C from figures in column B for each row. If column C is a loss, add its positive value to column B for each appropriate row. A loss in column C will increase the recapture.

- **Column E:** Enter the apportionment percentage from Form 4567, line 11c. Enter the same apportionment percentage for each row you have filled columns A through D.

- **Column F:** Multiply figures in column D by column E for each row.

Line 3: For depreciable tangible assets other than mobile tangible assets acquired in tax years beginning after 1996 and prior to 2008, that were eligible for the ITC in tax years beginning after 1999 and prior to 2008, and were transferred outside Michigan during the tax year, enter the following:

- **Column A:** Separate the depreciable tangible assets other than mobile tangible assets that were transferred out of Michigan during the filing period by the tax year in which they were acquired. Use a separate row for each acquisition year. Enter the tax years of acquisition (end dates only) in chronological order, starting with the first tax year beginning after 1999. An acquisition year for which there were no

transfers of depreciable tangible assets out of Michigan during the filing period may be omitted.

- **Column B:** Total sum of adjusted federal basis from all depreciable tangible assets acquired in the same taxable year and transferred out of Michigan during the filing period.

Keep in your files a separate worksheet with the appropriate information regarding each depreciable tangible asset other than mobile tangible assets acquired in tax years beginning after 1999 and prior to 2008, that were eligible for the ITC in tax years beginning after 1999 and prior to 2008, and were transferred outside Michigan during the tax year. Sum the total adjusted federal basis for all such transferred assets acquired in the same taxable year. Enter in this form only the total sum of adjusted federal basis grouped by taxable year the assets were acquired. Use one row per group of such transferred assets acquired in the same taxable year. Start from the earliest taxable year.

PART 2: CALCULATION OF SBT ITC RECAPTURE RATES

Whereas the information required in Parts 1 and 3 of this form apply only to years when assets were acquired that have been disposed of in the current tax year, Part 2 requires entering information from all years (see NOTE below) of the *SBT Investment Tax Credit* (Form C-8000ITC) filed in chronological order to correctly calculate the effective usage rate of SBT-generated ITC. Otherwise, the calculation will be flawed. Enter a negative number as negative.

NOTE: For SBT tax years when the taxpayer filed a C-8000 with no C-8000ITC attachment, or a C-8030, enter on line 4A the taxable year end date, and enter zero for lines 4B, 4C, and 4D. Do not enter any information on lines 4A through 4D for SBT tax years in which the taxpayer filed nothing or filed a C-8044. If more than one return was filed for the same tax year (that is, the taxpayer filed an amended return), use only the information from the latest return filed for that tax year.

UBGs: The calculation of the UBG's SBT ITC recapture will only be correct if information for all required members of the UBG is provided in Part 2. Required members are specified under the "Special Instructions for Unitary Business Groups" section of these form instructions.

Line 4: Gather all C-8000ITC forms filed for tax years beginning on or after January 1, 2000. (If an amended C-8000ITC was filed, use the figures from the amended form, not the original.) Sort all the returns in chronological order of taxable year end date, from earliest to latest date.

Starting with the Form C-8000ITC for the earliest applicable SBT filing period, enter the following for each taxable year (use one row for each return):

- **Column A:** Taxable year end date for each Form C-8000ITC return filed.
- **Column B:** Amount from Form C-8000ITC, line 24, for each taxable year.
- **Column C:** Amount from Form C-8000ITC, line 33, for each taxable year.
- **Column D:** Amount from Form C-8000ITC, line 36, for each taxable year.

- **Column E:** Three different methods can be used to fill this column, depending on the characteristic of the taxpayers. A taxpayer may choose any one of the following three methods, as explained below. However, Method B does not work for a UBG that has had any change in membership since its 2008 MBT return.

- **Method A:** Divide the amount in column C by the amount in column B, for each taxable year in column A, and enter as a percentage.

NOTE: Method A only takes into account the rate at which the SBT ITC was created but not the extent to which the created credit was used. Therefore, an election to use method A for taxpayers whose amount of SBT ITC used is NOT the same as the amount of SBT ITC created will result in a larger amount of SBT ITC recapture calculated compared to the amount of SBT ITC recapture calculated by using method B or C. For taxpayers whose amount of SBT ITC used is the same as the amount of SBT ITC created, the three methods should yield the same result.

The amount of SBT ITC used is the same as the amount of SBT ITC created when a taxpayer is able to fully utilize all SBT ITC carryforward by their 2009 tax year return. It occurs when:

- Taxpayer is a calendar year filer: 2009 MBT Form 4569, lines 2 and 3, are equal for the latest 2009 tax year return filed.
- Taxpayer is a fiscal year filer: 2008 MBT Form 4569, line 4, equals zero for the latest 2009 tax year return filed.

- **Method B:** Enter the amount determined by the Michigan Department of Treasury (Treasury) Web tool. Go to the Treasury site (www.michigan.gov/mbt4585tool) and enter the necessary information as instructed. Part 2, line 5, of Form 4585 must be completed before column E can be determined. Place the calculated rates for each taxable year in the appropriate row of column E. (See instructions for line 5.)

UBGs: Information for all required members of the UBG (see "Special Instructions for Unitary Business Groups" section in these form instructions) must be entered on the Treasury Web tool. Otherwise, the calculation of column E will be flawed.

- **Method C:** Enter results from the taxpayer's own software of choice (that is, a non-Treasury Web tool) or the taxpayer's own calculation that reflects the MBT statute. Retain records to substantiate figures entered in the filed return.

Line 5: See information found on the *MBT Single Business Tax Credit Carryforwards* (Form 4569), line 3, for tax years ending 2008 and 2009. Gather all forms 4569 filed for periods ending in 2008 or 2009, and sort them in chronological order to correctly calculate the effective usage rate of SBT-generated ITC. Otherwise, the calculation will be flawed.

Starting with the earliest Form 4569 filed for each taxable year starting on or after January 1, 2008, through the last Form 4569 filed for tax year 2009, enter the following (use one row for each return):

- **Column A:** Tax year end date for each Form 4569 filed for tax years ending in 2008 and 2009.
- **Column B:** The amount found on line 3 of Form 4569 for each taxable year entered in column A. UBG filers for which member composition changed since tax year 2008 must use the alternate instructions on the note below.

NOTE: UBG filers for which member composition changed since tax year 2008 must have their current tax year members complete line 5, column B, as follows:

- A member of a UBG must enter only the amount of SBT ITC used by the member individually for each MBT tax year. Do not enter the total group amount for any taxable year listed on line 5, column A.

PART 3: CALCULATION OF SBT ITC RECAPTURE AMOUNTS

The amount of SBT-generated ITC (grouped by taxable year of acquisition) to be recaptured under MBT is calculated in Part 3.

- **Line 6, Column A:** Enter the tax year end date of each acquisition year represented in Part 1, in chronological order beginning with the earliest.
- **Column B:** Separately for each acquisition year listed in Column A, combine the corresponding amounts in columns 1F, 2F, and 3B.
- **Column C:** For each acquisition year listed in Column A, enter the corresponding SBT ITC effective rate from line 4, column E. Match the acquisition year in line 6, column A, with the corresponding acquisition year in line 4, column A.
- **Column D:** Multiply column B by column C for each acquisition year.

Line 7: Add the figures in each row of line 6, column D. Carry that amount to Form 4570, line 19.

Include completed Form 4585 as part of the tax return filing.